Updated Affordable Housing Investment Plan

2019-2022

Recommendation

That Executive Committee recommend to City Council:

That the following five Priority Investment Areas of the Affordable Housing Investment Plan (2019-2022), as outlined in the October 29, 2018, Citizen Services report CR_6252, be approved.

1. Permanent Supportive Housing
2. Surplus School Site Redevelopment
3. Affordable Housing Investment Grants
4. Secondary Suites Grant Funding Program
5. City-Owned Affordable Housing Inventory

Executive Summary

The City of Edmonton is committed to ensuring all residents can afford a place to live. Increasing the supply of affordable housing is critical to achieving this goal.
The Affordable Housing Investment Plan (2019-2022) will guide the City's investments in affordable housing for the next four years.

The plan prioritizes six key investment areas, including permanent supportive housing, surplus school site redevelopment, secondary suite grants, affordable housing grants, social housing regeneration, and developer-sponsored affordable housing. The plan also supports City Council's goal of increasing the geographic distribution of affordable housing across Edmonton and meeting the long-term goal of 16 percent affordable housing in each neighbourhood.

The plan is designed to create 2,500 new units of affordable housing and is based on a model where an investment of approximately $132 million of City resources is used to leverage a further $377 million of combined provider equity, private financing, and funding from other orders of government. To support the implementation of this plan, Administration is including funding requests of $67 million as part of the 2019-2022 operating and capital budgets, composed of an additional $3.5 million per year in operating funding and a composite capital profile of $53 million (of which $27 million is projected to be expended in the 2019-2022 timeframe with the remaining $26 million to be expended in the 2023-2026 timeframe).

As of 2016, 48,550 low income renter households in Edmonton spent more than 30 percent of their annual before tax income on housing. Of these households, approximately 22,350 households spent more than 50 percent of their income on housing.

The City of Edmonton has a long history of involvement in the provision of affordable housing. Most recently, its role has centred on providing grants and land to providers of new affordable housing units.

Report

The City of Edmonton believes all of its residents deserve a roof over their heads and housing security is critical to a healthy city. In recent years, City Council has demonstrated its support for this goal through the City of Edmonton's Affordable Housing Strategy, the EndPovertyEdmonton Plan and Edmonton's Plan to End Homelessness. An updated investment plan is now required to guide the City of Edmonton's investments and program delivery over the next four year budget cycle and to ensure the affordable housing sector in Edmonton has the resources it needs to increase the supply of affordable housing in Edmonton.

Housing affordability guidelines established by the Canadian Mortgage and Housing Corporation state that housing costs should not exceed 30 percent of a household's annual before-tax income. In 2016, according to federal census data, 48,550 low income renter households in Edmonton spent more than 30 percent of their annual before-tax income on housing costs. Of these households, 22,350 spent more than 50 percent of their household income on housing.

Based on these statistics, the following affordable housing units are needed in Edmonton to meet existing need:

Affordable Housing Supply Gap

Type	**Supply Gap**
Permanent Supportive Housing	916 units
Social Housing (Deep Subsidy)	25,484 units
Affordable Housing (Near-Market)	21,550 units

Affordable housing cannot be achieved by any single order of government or nonprofit organization. The City of Edmonton works in partnership with other orders of government and a range of housing providers to increase the supply of affordable housing. These organizations leverage private financing and grants from government

(including the City), to develop, manage and maintain affordable housing units in Edmonton.

The City of Edmonton's Approach

In order to ensure Edmontonians' needs will be addressed, Administration recommends that the City of Edmonton set the conditions for success by adopting a proactive approach as initial partner in supporting the development of affordable housing in Edmonton.

In recent years, both the provincial and the federal governments have preferred to invest directly in individual shovel-ready affordable housing projects. As a result, Edmonton's ability to attract affordable housing investment from other orders of government depends on the existence of a pipeline of investment-ready projects. The City of Edmonton can support the development of an adequate pipeline of projects in Edmonton by making land and/or initial limited funding available to non-market housing providers to support project planning, development and implementation.

A more proactive approach in the upfront planning for affordable housing development will also enable the City to have additional opportunities to ensure local priorities are addressed. For example, land can be made available specifically for permanent supportive housing and other priority needs. As well, focusing on a pipeline approach does not preclude the City from continuing to advocate for specific envelopes of funding to address these priorities.

Undertaking this strategic approach will require the City of Edmonton to be more engaged in the following areas:

- assessing the viability of projects
- strategic acquisition and dedication of land for affordable housing
- ensuring some degree of alignment between proposed projects
- understanding the priorities of other funders
- formalizing approaches to ongoing affordable housing asset management including through the sale or long-term lease of land at nominal values

The City's updated Affordable Housing Investment Plan (2019-2022) is based on this strategic approach to the delivery of affordable housing in Edmonton.

City of Edmonton Affordable Housing Investment Plan (2019-2022)

The Affordable Housing Investment Plan (2019-2022) would allow the City of Edmonton to support the creation of 2,500 new or renovated units of affordable housing in Edmonton over the next four years. The plan is based on a leverage model, where the City of Edmonton would contribute land or limited funding to affordable housing projects to increase their ability to generate additional funding from other orders of government or through self-sustaining funding models.

Priority Investment Areas

The following priority investment areas have been identified for City affordable housing investment over the next four year budget cycle. These investment areas include a combination of existing affordable housing programs and new or revised delivery areas.

1. Permanent Supportive Housing

Edmonton needs 916 units of new permanent supportive housing over the next six years to provide appropriate, safe housing for people experiencing chronic homelessness. The City of Edmonton can support this goal by providing land and limited capital funding to new permanent supportive housing projects and has committed to making four new sites available (October 1, 2018, Citizen Services report CR_5961). The program model for further future investment is currently under development and will be confirmed in 2019.

2. Surplus School Site Redevelopment

Since 2006, Administration has used surplus school sites to create new affordable housing. This is accomplished through the implementation of two distinct programs: Building Housing Choices and Seniors Housing. Of the 49 school sites declared surplus by local school boards since 2006, eight building sites have been approved for a mix of market and affordable housing as part of the Building Housing Choices program and seven building sites have been approved for Seniors Housing.

The development of all 15 sites has been governed by City Policies: C583 Guidelines for Development of the 2009 Surplus School Site, C437 The Lease or Sale of City-Owned Land for Social Housing Development, and C468A Policy to Govern the Use of Funds from the Sale of Surplus School Sites. Under these surplus school site policies, the City undertakes site preparations, various levels of engagement, and then uses a competitive process to award sites to a housing provider for development. To date, two sites are undergoing a pilot engagement process under the Building Housing Choices program, and construction is underway for one development under the Seniors Housing program.

3. Affordable Housing Investment Grants

In August 2018, City Council approved City Policy C601 Affordable Housing Investment Guidelines (August 13, 2018, Citizen Services report, CR_5073), which established the foundation for an annual grant program that makes limited capital grants and City-owned land (at nominal value) available to affordable housing providers to construct affordable housing. Program procedures and decision-making criteria are currently under development, and the new program is expected to launch in early 2019. Individual investments are subject to City Council approval. Affordable housing projects across the spectrum of affordable housing will be eligible for funding under this investment area.

4. Secondary Suites Grant Funding Program
The City of Edmonton Secondary Suites Grant Funding Program provides matching funding to property owners to construct or upgrade new or existing secondary suites. In exchange for the grant funding, homeowners enter into an agreement to rent the suite out at a below market rate for five years.

5. City-Owned Affordable Housing Inventory (Social Housing Regeneration and Developer-Sponsored Affordable Housing)
The City of Edmonton owns affordable housing units through a social housing portfolio and a developer sponsored program.

The City directly owns 952 social housing units (both building and land); another 2,380 units of provincially-owned social housing is located on City-owned land. Administration is currently working with Capital Region Housing Corporation and the Government of Alberta to develop a plan to regenerate this full portfolio.

The Developer Sponsored Affordable Housing program creates affordable rental accommodation in new condominium developments through partnerships with developers. As a condition of development permit approval the developer commits to offer the City five percent of the units in their development for 85 percent of market value. The individual units are owned by the City of Edmonton, managed by homeEd, and rented to eligible households below the median income.

Planned Program Allocations
To illustrate how 2,500 units of new affordable housing can be achieved through the Affordable Housing Investment Plan (2019-2022), Administration has developed the following allocation model of resources among priority investment areas.

Priority Programs		**2019**	**2020**	**2021**	**2022**	**Total**
New	Secondary Suites	$1,800,000	$1,800,000	$1,800,000	$1,800,000	**$7,200,000**
	Surplus School Sites	$11,000,000	$4,500,000	$11,000,000	$4,500,000	**$31,000,000**
	Grants*	$10,000,000	$10,000,000	$10,000,000	$10,000,000	**$40,000,000**
	Permanent Supportive Housing**	$7,400,000	$7,400,000	$7,400,000	$7,400,000	**$29,600,000**

	City-owned Housing Inventory***	$ 0	$2,200,000	$10,000,000	$2,200,000	**$14,400,000**
Existing Commitments		$ 0	$5,200,000	$5,300,000	$0	**$10,500,000**
Total		**$30,200,000**	**$31,100,000**	**$45,500,000**	**$25,900,000**	**$132,700,000**

* Expenditures include funding grants as well as cost associated with providing City-owned land at nominal cost.
** Future program and funding model to be confirmed.
*** Allocates resources for Social Housing regeneration and the Developer-Sponsored Affordable Housing.

The figures for the existing commitments represent actual planned future expenditures based on existing commitments made through City Council approval and/or signed funding agreements. For all other programs, the figures represent planned allocations for new commitments that will be made during the time period of the plan. Actual expenditures are expected to lag due to the timelines required for planning approvals and project construction.

In each of these program areas, City of Edmonton resource allocation is contingent on affordable housing providers, the housing market and the timing and commitments of other funders. Actual programs commitments (and expenditures) and the types of units achieved are expected to vary based on the applications and proposals Administration receives and funding allocations by other orders of government.

The plan recognizes that variability is likely to occur and is designed to be flexible to enable the City to take advantage of opportunities presented by its funding and provider partners. The Affordable Housing Investment Plan (2019-2022) would be updated regularly to reflect actual program commitments and in response to changes in the funding environment.

The following table outlines the units that can be expected to be achieved based on the program allocations presented in the table above (Planned Program Allocation). Results will vary based on the actual projects selected for funding; however, Administration believes 2,500 units is an achievable target based on any number of potential scenarios.

Affordable Housing Unit Targets

Programs		**2019**	**2020**	**2021**	**2022**	**Total**
	Secondary Suites*	90	90	90	90	**360**
	Surplus School Sites**	132	118	117	108	**475**

New Projects	Grants	125	125	125	125	**500**
	Permanent Supportive Housing	150	150	150	150	**600**
	City-owned Housing Inventory	-	7	186	7	**200**
Existing Commitments		127	208	30	-	**365**
Total		**624**	**698**	**698**	**480**	**2,500**

*Units are rented to low income households for the five years following completion of construction.
** Target does not include market units included in the mixed income projects; Projection is based on developing six (of a remaining 14) surplus schools sites dedicated for affordable housing over the next five years.

Resources Required

The City of Edmonton's ability to achieve the target of building 2,500 new affordable housing units depends on the allocation of sufficient funding to the plan and the allocation of sufficient funding from other orders of government. The plan is based on a leverage model, where the City of Edmonton would contribute land or limited funding to affordable housing projects to increase their ability to generate additional funding from other orders of government or through self-sustaining funding models.

Status	Funding Source	2019-2022 Cumulative Total
Existing Funding (Already Approved)	Existing Base Funding	$10,000,000
	Housing Reserve	$51,000,000
	First Place Program Revenue	$4,700,000
	Total	**$65,700,000**
New Funding (Approval Required)	Operating ($3.5 million/year)	$14,000,000
	Capital	$53,000,000
	Total	**$67,000,000**
	Total Funding Required	**$132,700,000**

Administration has prepared an operating and a capital budget request for City Council's consideration in the 2019-2022 budget cycle. An operating service package requests an increase of $3.5 million per year to the base budget for affordable housing grants to replace the practice of topping up the affordable housing grant from year end surpluses. A composite capital profile for $53 million has also been prepared to

facilitate the acquisition of land and buildings for affordable housing and enable further investment in developer-sponsored affordable housing and site preparation.

The Affordable Housing Investment Plan (2019-2022) is based on a leverage model that assumes an average funding commitment of 25 percent per project (actual commitment will vary by project type). The overall construction cost for the affordable housing units described in the plan is estimated to be approximately $507 million. With the City contributing an average of 25 percent of overall costs (or $132.7 million), a gap of approximately $377 million remains. This gap will need to be filled by funding from other orders of government and equity and financing from affordable housing providers. The mix of equity/financing and funding from each order of government will vary depending on the types of units being developed.

Budget/Financial Implications

In November 2016, City Council directed Administration to prepare a service package to be included in the 2019-2022 operating budget for $3.5 million per year to be added to the base budget for affordable housing grants to replace the practice of topping up the affordable housing grant from year end surpluses. An unfunded service package will be included for consideration as part of the 2019-2022 operating budget.

As part of the proposed 2019-2022 capital budget, Administration has submitted a composite profile to support the capital requirements to meet the City's current affordable housing priorities of $53 million over four years. To account for the time lag between the initiation of projects, the commitment of funds and the actual expenditures of funds, as well as internal capacity limitations, Administration requests approval to commit $53 million overall, with a portion of actual expenditures to flow into the next four budget cycle. Approximately $27 million will be expended in this capital budget cycle 2019-2022 with the remaining $26 million expended in the 2023-2026 timeframe.

The funding requested through the capital profile would allow for:

- the acquisition of land in neighbourhoods where there is limited or no affordable housing which supports the goals of providing affordable housing in all areas of the city.
- the acquisition of land and existing buildings for the purpose of providing new units of affordable housing, including permanent supportive housing units.
- site prep costs associated with City-owned land used for affordable housing.
- support for the redevelopment of City-owned social housing projects that have reached the end of their economic life with potential to increase density on these sites; and purchasing condominium units in private-market buildings under the Developer Sponsored Affordable Housing program.

Public Engagement

In recent years, Administration has led a number of public engagement processes on the topic of affordable housing incorporating a number of different approaches, including surveys, focus groups and town hall sessions. These engagement processes were used to inform the creation of the City of Edmonton's Affordable Housing Strategy and the recently approved City Policy C601 Affordable Housing Investment Guidelines.

Members of the public will also have an opportunity to provide input on the specific affordable housing budget requests described in this report through the City Council Budget Public Hearing scheduled for November 15, 2018.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has sustainable and accessible infrastructure			
Outcome(s)	**Measure(s)**	**Result(s)**	**Target(s)**
Increased supply of affordable housing units in all areas of the city	Number of new affordable housing units supported	365	2,500 by the end of 2022
Increased supply of permanent supportive housing units	Number of permanents supportive housing units developed	2009-2016: 201	916 additional units by 2024

Risk Assessment

See Attachment 2

Attachments

1. Background
2. Risk Assessment
3. Glossary of Housing Terms

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
If recommendation is approved						
Public Perception	Local opposition to affordable housing developments could hinder the timely approval and construction of projects. In the past, local opposition to the siting of affordable housing has led to uncertainty about the ability to proceed and costly project delays in some cases.	3 - Possible	4 - Severe	12 - Medium	Administration provides limited and ad-hoc engagement support to affordable housing providers (depending on development and available resources)	Administration is preparing a city-wide public information campaign that will use evidence-based approaches to informing Edmontonians about the benefits of affordable housing. A 2019-2022 operating service package has been prepared to support this work. The Housing and Homelessness section is also working with Communications and Engagement to develop an Affordable Housing Public Engagement Charter, which aligns with the City of Edmonton's Public Engagement Policy (C593) and similar work undertaken by Development Coordination. This document will work to clarify expectations around what kind of engagement is expected by who regarding affordable housing developments.

Political Influences	Other orders of government do not invest at the level required to support timely development of new affordable housing. The development of affordable housing is contingent on funds from all three orders of government. The Affordable Housing Investment Plan is based on a model that assumes City investment in affordable housing projects will be matched with funding from other orders of government. There is a risk that if City funding is not matched, financial resources will be committed to projects awaiting additional funding, which could be reallocated for other municipal priorities.	3 - Possible	3- Major	9- Medium	Payment is only provided when major milestones in affordable housing development are achieved.	Administration will report annually on the status of funding commitments made under the Affordable Housing Investment Plan. This annual report will include information related to what projects are awaiting funding from other partners and what investments have been made by other orders of government in affordable housing in Edmonton. Providing this information on a transparent and regular basis will allow City Council to identify housing priorities and, if necessary, advocate to other orders of government to increase their funding commitments. Administration will also update the Affordable Housing Investment Plan annually to reflect actual expenditures, commitments, and the evolving funding environment. All funding agreements will contain expiry dates.

Suppliers	Sector capacity challenges limit the ability of non-market housing providers to develop the volume of required projects needed to meet the City's unit targets. Organization's ability to scale and adjust their plans to align with funder priorities vary depending on their existing capacity and resources.	3 - Possible	3 - Major	9- Medium	Administration meets frequently with the Non-Profit Affordable Housing Providers Working Group, consisting of nine leading housing organizations, with the goal of strengthening the overall sector's ability to increase the supply of safe, appropriate non-market housing in Edmonton by identifying common barriers and solutions and providing program input. The group identifies opportunities, investment ready projects, and address barriers that prevent units from getting built. The group developed a shared list of future projects, which detail the types of affordable housing being planned, what funding and supports are required to move the projects towards completion, and how the projects fit into meeting Edmonton's overall housing need. This list will serve as a resource to Administration when making decisions about how resources should be allocated within the priority investment areas annually. Currently the non-market housing providers have provided plans for 5,000 units of affordable housing over the next five years.	Administration will consult the working group to inform changes to City process that prevents affordable housing from getting built in a timely manner, including areas in permitting, zoning, and public engagement.
Employees	Internal capacity limits the ability of Administration to deliver on planned commitments, through delays in land acquisition, property offerings, funding agreements and project funding and development approvals. Flexible investment guidelines (versus the standard per door grant approach largely used under Cornerstones) will allow for the achievement a greater diversity of affordable housing stock and ensure resources are directed to those in the most need but it will increase the complexity of program	3 - Possible	3- Major	9- Medium	Internal work planning is already underway.	Administration has put forward an unfunded operating service package, which includes a dedicated communications FTE and engagement FTE. Should additional human resources be required to support the *Affordable Housing Investment Plan*, Administration may also consider re-allocating a small portion of available funding to support plan implementation. This would likely have a small impact on the achievement of unit targets.

	administration. The nature of this work is interdisciplinary and Administration will be required to draw on supporting resources from across the Corporation. At a time of significant budget pressures, timely access to these resources may prove challenging.					
If recommendation is not approved						
Customers/ Citizens Public Perception	Fewer affordable housing units will be constructed. The number of Edmontonians in core housing need will continue to grow.	4 - Likely	4 - Severe	16 - High		Develop a revised plan.
Political Influences	Other orders of government do not view the City as proactively supporting the development of affordable housing, which could jeopardize future funding opportunities and the City's ability to advocate to funders on behalf of affordable housing providers.	3 - Possible	4 - Severe	12- Medium	Administration will continue to meet with other orders of government to advocate and maintain good relationships.	Develop an alternative plan.